

## TABLE OF CONTENTS

### VOLUME I

|          |   |            |
|----------|---|------------|
| <b>4</b> | <b>FORMAT</b>   | <b>4-1</b> |
| 4.(1)    | Organization  | 4-1        |
| 4.(2)    | Identification of individuals responsible for preparation of the plan   | 4-2        |
| <b>5</b> | <b>PLAN SUMMARY</b>   | <b>5-1</b> |
| 5.(1)    | Description of the utility, its customers, service territory, current facilities, and planning objectives   | 5-1        |
| 5.(2)    | Description of models, methods, data, and key assumptions to develop the results contained in the plan;   | 5-5        |
|          | Demand and Energy Forecast  | 5-5        |
|          | <i>Models &amp; Methods</i>   | 5-7        |
|          | <i>Data</i>   | 5-8        |
|          | <i>Key Assumptions</i>  | 5-11       |
|          | Resource Assessment and Acquisition Plan  | 5-12       |
| 5.(3)    | Summary of forecasts of energy and peak demand, and key economic and demographic assumptions or projections underlying these forecasts;   | 5-13       |
|          | Combined Company  | 5-13       |
|          | Kentucky Utilities  | 5-18       |
|          | Louisville Gas & Electric   | 5-26       |
| 5.(4)    | Summary of the utility's planned resource acquisitions including improvements in operating efficiency of existing facilities, demand-side programs, non-utility sources of generation, new power plants, transmission improvements, bulk power purchases and sales, and interconnections with other utilities | 5-32       |
|          | Summary of Planned Resource Acquisitions  | 5-32       |
|          | Efficiency Improvements   | 5-34       |
|          | <i>Rehabilitation of Ohio Falls</i>   | 5-35       |
|          | Demand Side Management  | 5-36       |
|          | Non-Utility Generation  | 5-36       |
|          | New Power Plants  | 5-37       |

|   |             |
|---|-------------|
| Transmission Improvement _____  | 5-37        |
| Bulk Power Purchase and Sales and Interchange _____   | 5-37        |
| <b>5.(5) Steps to be taken during the next three (3) years to implement the plan; _____</b>                           | <b>5-39</b> |
| Demand-Side Management _____  | 5-39        |
| <b>5.(6) Discussion of key issues or uncertainties that could affect successful implementation of the plan. _____</b> | <b>5-40</b> |
| Forecast Uncertainty _____  | 5-40        |
| Purchased Power _____   | 5-42        |
| DSM Implementation _____  | 5-43        |
| Aging Units _____   | 5-43        |
| Midwest Independent Transmission System Operator _____  | 5-45        |
| <br>  |             |
| <b>6 SIGNIFICANT CHANGES _____</b>  | <b>6-1</b>  |
| <b>Resource Assessment and Acquisition Plan _____</b>   | <b>6-1</b>  |
| <b>OVEC _____</b>   | <b>6-2</b>  |
| <b>Load Forecast _____</b>  | <b>6-3</b>  |
| Summary of Forecast Changes _____   | 6-3         |
| <i>Combined Company</i> _____   | 6-3         |
| <i>Kentucky Utilities</i> _____   | 6-7         |
| <i>Louisville Gas &amp; Electric</i> _____  | 6-11        |
| Reason for Forecast Changes _____   | 6-14        |
| <i>Recent Sales History</i> _____   | 6-14        |
| Combined Company _____  | 6-14        |
| Kentucky Utilities _____  | 6-15        |
| Louisville Gas & Electric _____   | 6-15        |
| <i>Changes in Load Characteristics</i> _____  | 6-16        |
| <i>Changes in Curtailable/Interruptible Loads</i> _____   | 6-16        |
| <i>Updates to Weather Assumptions</i> _____   | 6-17        |
| <i>Updates to Economic and Demographic Assumptions</i> _____  | 6-18        |
| <i>Service Territory Macroeconomic Forecast</i> _____   | 6-18        |
| <i>Demographic Forecasts</i> _____  | 6-19        |
| <i>Changes in Methodology</i> _____   | 6-20        |
| LG&E Residential Sales Forecasting Methodology _____  | 6-20        |
| Peak Demand Estimation Methodology _____  | 6-21        |

|   |             |
|---|-------------|
| <b>Demand-Side Management</b>   | <b>6-25</b> |
| <b>Reliability Criteria</b>   | <b>6-26</b> |
| <b>Wholesale Power Market</b>   | <b>6-26</b> |
| <b>Rehabilitation of Ohio Falls</b>   | <b>6-31</b> |
| <b>Retirement of Green River Units 1 and 2</b>  | <b>6-34</b> |
| <b>MISO</b>   | <b>6-35</b> |
| MISO Day 2 Markets  | 6-35        |
| Exit from MISO  | 6-35        |
| <b>Lock 7</b>   | <b>6-36</b> |
| <br>  |             |
| <b>7 LOAD FORECASTS</b>   | <b>7-1</b>  |
| <br>  |             |
| <b>7.(1) Specification of Historical and Forecasted Information Requirements by Class</b>                 |             |
| Kentucky Utilities  | 7-1         |
| Louisville Gas & Electric   | 7-27        |
| <br>  |             |
| <b>7.(2) Specification of Historical and Forecasted Information Requirements</b>                          |             |
| Kentucky Utilities  | 7-1         |
| Louisville Gas & Electric   | 7-27        |
| <br>  |             |
| <b>7.(2)(a) Average Number of Customers by Class, 2000-2004</b>   |             |
| Kentucky Utilities  | 7-1         |
| Louisville Gas & Electric   | 7-27        |
| <br>  |             |
| <b>7.(2)(b) Recorded and Weather-Normalized Annual Energy Sales (GWh) &amp; Energy Requirements (GWh)</b> |             |
| Kentucky Utilities  | 7-2         |
| Louisville Gas & Electric   | 7-28        |
| <br>  |             |
| <b>7.(2)(c) Recorded and Weather-Normalized Peak Demands (MW)</b>   |             |
| Kentucky Utilities  | 7-3         |
| Louisville Gas & Electric   | 7-29        |
| <br>  |             |
| <b>7.(2)(d) Energy Sales and Peak Demand for Firm, Contractual Commitment Customers</b>                   |             |
| Kentucky Utilities  | 7-3         |
| Louisville Gas & Electric   | 7-29        |
| <br>  |             |
| <b>7.(2)(e) Energy Sales and Peak Demand for Interruptible Customers</b>                                  |             |
| Kentucky Utilities  | 7-3         |
| Louisville Gas & Electric   | 7-29        |

|  |      |
|--|------|
| <b>7.(2)(f) Annual Energy Losses (GWh)</b>   |      |
| Kentucky Utilities _____   | 7-4  |
| Louisville Gas & Electric _____  | 7-29 |
| <b>7.(2)(g) Impact of Existing Demand Side Programs</b>                                      |      |
| Kentucky Utilities _____   | 7-4  |
| Louisville Gas & Electric _____  | 7-29 |
| <b>7.(2)(h) Other Data Illustrating Historical Changes in Load and Load Characteristics</b>  |      |
| Kentucky Utilities _____   | 7-4  |
| Louisville Gas & Electric _____  | 7-30 |
| <b>7.(3) Specification of Forecast Information Requirements</b>                              |      |
| Kentucky Utilities _____   | 7-8  |
| Louisville Gas & Electric _____  | 7-33 |
| <b>7.(4) Energy and Demand Forecasts</b>   |      |
| Kentucky Utilities _____   | 7-9  |
| Louisville Gas & Electric _____  | 7-34 |
| <b>7.(4)(a) Forecasted Sales by Class and Total Energy Requirements (GWh)</b>                |      |
| Kentucky Utilities _____   | 7-9  |
| Louisville Gas & Electric _____  | 7-34 |
| <b>7.(4)(b) Summer and Winter Peak Demand (MW)</b>   |      |
| Kentucky Utilities _____   | 7-9  |
| Louisville Gas & Electric _____  | 7-34 |
| <b>7.(4)(c) Monthly Sales by Class and Total Energy Requirements (GWh)</b>                   |      |
| Kentucky Utilities _____   | 7-10 |
| Louisville Gas & Electric _____  | 7-35 |
| <b>7.(4)(d) Forecast Impact of Demand-Side Programs</b>                                      |      |
| Kentucky Utilities _____   | 7-11 |
| Louisville Gas & Electric _____  | 7-36 |
| <b>7.(5) Historical and Forecast Information for a Multi-State Integrated Utility System</b> |      |
| Kentucky Utilities _____   | 7-11 |
| Louisville Gas & Electric _____  | 7-36 |
| <b>7.(5)(a) Historical Information for a Multi-State Integrated Utility System</b>           |      |
| Kentucky Utilities _____   | 7-11 |
| Louisville Gas & Electric _____  | 7-36 |

|   |      |
|---|------|
| <b>7.(5)(b) Historical Information for a Utility Purchasing More than 50 Percent of Its Energy Needs</b>  |      |
| Kentucky Utilities _____  | 7-11 |
| Louisville Gas & Electric _____   | 7-36 |
| <b>7.(5)(c) Forecast Information for a Multi-State Integrated Utility System</b>  |      |
| Kentucky Utilities _____  | 7-11 |
| Louisville Gas & Electric _____   | 7-36 |
| <b>7.(5)(d) Forecast Information for a Utility Purchasing More than 50 Percent of Its Energy Needs</b>  |      |
| Kentucky Utilities _____  | 7-11 |
| Louisville Gas & Electric _____   | 7-36 |
| <b>7.(6) Updates of Load Forecasts</b>  |      |
| Kentucky Utilities _____  | 7-11 |
| Louisville Gas & Electric _____   | 7-36 |
| <b>7.(7) Description and Discussion of Data, Assumptions and Judgments, Methods and Models, Treatment of Uncertainty, and Sensitivity Analysis Used in Producing the Forecast</b> |      |
| Kentucky Utilities _____  | 7-11 |
| Louisville Gas & Electric _____   | 7-36 |
| <b>7.(7)(a) Data Sets Used in Producing Forecasts</b>   |      |
| Kentucky Utilities _____  | 7-12 |
| Louisville Gas & Electric _____   | 7-36 |
| <b>7.(7)(b) Key Assumptions and Judgments</b>   |      |
| Kentucky Utilities _____  | 7-15 |
| Louisville Gas & Electric _____   | 7-37 |
| <b>7.(7)(c) General Methodological Approach</b>   |      |
| Kentucky Utilities _____  | 7-16 |
| Louisville Gas & Electric _____   | 7-37 |
| <b>7.(7)(d) Treatment and Assessment of Forecast Uncertainty</b>  |      |
| Kentucky Utilities _____  | 7-22 |
| Louisville Gas & Electric _____   | 7-39 |
| <b>7.(7)(e) Sensitivity Analysis</b>  |      |
| Kentucky Utilities _____  | 7-22 |
| Louisville Gas & Electric _____   | 7-40 |
| <b>7.(7)(f) Research and Development</b>  |      |

|                           |      |
|---------------------------|------|
| Kentucky Utilities        | 7-25 |
| Louisville Gas & Electric | 7-42 |

|   |      |
|---|------|
| <b>7.(7)(g) Development of End-Use Load and Market Data</b> |      |
| Kentucky Utilities  | 7-26 |
| Louisville Gas & Electric                                   | 7-42 |

**8 RESOURCE ASSESSMENT AND ACQUISITION PLAN 8-1**

|   |             |
|---|-------------|
| <b>8.(1) The plan shall include the utility's resource assessment and acquisition plan for providing an adequate and reliable supply of electricity to meet forecasted electricity requirements at the lowest possible cost. The plan shall consider the potential impacts of selected, key uncertainties and shall include assessment of potentially cost-effective resource options available to the utility.</b> | <b>8-1</b>  |
| <i>Pending Legislation</i>  | 8-3         |
| <b>8.(2) The utility shall describe and discuss all options considered for inclusion in the plan including:</b>   | <b>8-5</b>  |
| <b>8.(2)(a) Improvements to and more efficient utilization of existing utility generation, transmission, and distribution facilities;</b>   | <b>8-5</b>  |
| Generation  | 8-5         |
| <i>Maintenance Schedules</i>  | 8-5         |
| <i>Efficiency Improvements</i>  | 8-6         |
| <i>Rehabilitation of Ohio Falls</i>   | 8-8         |
| Transmission  | 8-9         |
| Distribution  | 8-10        |
| <b>8.(2)(b) Conservation and load management or other demand-side programs not already in place;</b>  | <b>8-11</b> |
| <b>8.(2)(c) Expansion of generating facilities, including assessment of economic opportunities for coordination with other utilities in constructing and operating new units; and</b>   | <b>8-12</b> |
| <b>8.(2)(d) Assessment of nonutility generation, including generating capacity provided by cogeneration, technologies relying on renewable resources, and other nonutility sources.</b>   | <b>8-15</b> |
| <b>8.(3) The following information regarding the utility's existing and planned resources shall be provided. A utility which operates as part of a multi-state integrated system shall submit the following information for its operations within Kentucky and for the multi-state utility system of which</b>  |             |

it is a part. A utility which purchases fifty (50) percent or more of its energy needs from another company shall submit the following information for its operations within Kentucky and for the company from which it purchases its energy needs. \_\_\_\_\_ 8-16

- 8.(3)(a) A map of existing and planned generating facilities, transmission facilities with a voltage rating of sixty-nine (69) kilovolts or greater, indicating their type and capacity, and locations and capacities of all interconnections with other utilities. The utility shall discuss any known, significant conditions which restrict transfer capabilities with other utilities. \_\_\_\_\_ 8-16
- 8.(3)(b) A list of all existing and planned electric generating facilities which the utility plans to have in service in the base year or during any of the fifteen (15) years of the forecast period, including for each facility: \_\_\_\_\_ 8-22
- 8.(3)(c) Description of purchases, sales or exchanges of electricity during the base year or which the utility expects to enter during any of the fifteen (15) forecast years of the plan. \_\_\_\_\_ 8-80
- 8.(3)(d) Description of existing and projected amounts of electric energy and generating capacity from cogeneration, self-generation, technologies relying on renewable resources, and other nonutility sources available for purchase by the utility during the base year or during any of the fifteen (15) forecast years of the plan. \_\_\_\_\_ 8-82
- 8.(3)(e) For each existing and new conservation and load management or other demand-side programs included in the plan: \_\_\_\_\_ 8-84
- 8.(3)(e)(1) Targeted classes and end-uses; \_\_\_\_\_ 8-84  
Existing Programs \_\_\_\_\_ 8-84  
New Programs \_\_\_\_\_ 8-86
- 8.(3)(e)(2) Expected duration of the program; \_\_\_\_\_ 8-87
- 8.(3)(e)(3) Projected energy changes by season, and summer and winter peak demand changes; \_\_\_\_\_ 8-87
- 8.(3)(e)(4) Projected cost, including any incentive payments and program administrative costs; and \_\_\_\_\_ 8-89
- 8.(3)(e)(5) Projected cost savings, including savings in utility's generation, transmission and distribution costs. \_\_\_\_\_ 8-89
- 8.(4) The utility shall describe and discuss its resource assessment and acquisition plan which shall consist of resource options which produce

adequate and reliable means to meet annual and seasonal peak demands and total energy requirements identified in the base load forecast at the lowest possible cost. The utility shall provide the following information for the base year and for each year covered by the forecast: \_\_\_\_\_ 8-90

8.(4)(a) On total resource capacity available at the winter and summer peak: \_\_ 8-92

8.(4)(b) On planned annual generation: \_\_\_\_\_ 8-95

8.(4)(c) For each of the fifteen (15) years covered by the plan, the utility shall provide estimates of total energy input in primary fuels by fuel type and total generation by primary fuel type required to meet load. Primary fuels shall be organized by standard categories (coal, gas, etc.) and quantified on the basis of physical units (for example, barrels or tons) as well as in MMBtu. \_\_\_\_\_ 8-97

8.(5) The resource assessment and acquisition plan shall include a description and discussion of: \_\_\_\_\_ 8-99

8.(5)(a) General methodological approach, models, data sets, and information used by the company; \_\_\_\_\_ 8-99

Demand Side Management Resource Screening and Assessment \_\_\_\_\_ 8-100

Supply Side Resource Screening Assessment \_\_\_\_\_ 8-100

8.(5)(b) Key assumption and judgments used in the assessment and how uncertainties in those assumptions and judgments were incorporated into analyses; \_\_\_\_\_ 8-101

Fuel Forecast \_\_\_\_\_ 8-101

Forecasted Customer Load Requirements \_\_\_\_\_ 8-102

New Unit Estimated Costs \_\_\_\_\_ 8-104

Clean Air Act Compliance Plan \_\_\_\_\_ 8-104

Existing and New Unit/Purchase Availability \_\_\_\_\_ 8-109

Uncertainty in the Planning Process Caused by Weather \_\_\_\_\_ 8-109

Potential Regulation of CO<sub>2</sub> Emissions \_\_\_\_\_ 8-114

316 (b) – Regulation of cooling water intake structures \_\_\_\_\_ 8-117

Aging Generating Units \_\_\_\_\_ 8-118

Fuel Cost Uncertainty \_\_\_\_\_ 8-119

MISO Day 2 Markets \_\_\_\_\_ 8-120

|          |   |            |
|----------|---|------------|
| 8.(5)(c) | Criteria (for example, present value of revenue requirements, capital requirements, environmental impacts, flexibility, diversity) used to screen each resource alternative including demand-side programs, and criteria used to select the final mix of resources presented in the acquisition plan; | 8-120      |
|          | Demand-side Management Screening  | 8-120      |
|          | Supply-side Screening   | 8-123      |
|          | Resource Optimization   | 8-128      |
| 8.(5)(d) | Criteria used in determining the appropriate level of reliability and the required reserve or capacity margin, and discussion of how these determinations have influenced selection of options;   | 8-130      |
| 8.(5)(e) | Existing and projected research efforts and programs which are directed at developing data for future assessments and refinements of analyses;  | 8-132      |
| 8.(5)(f) | Actions to be undertaken during the fifteen (15) years covered by the plan to meet the requirements of the Clean Air Act amendments of 1990, and how these actions affect the utility's resource assessment; and  | 8-132      |
|          | Sulfur Dioxide (SO <sub>2</sub> )   | 8-132      |
|          | Nitrogen Oxide (NO <sub>x</sub> )   | 8-133      |
|          | NO <sub>x</sub> State Implementation Plan (SIP) Call  | 8-134      |
|          | Hazardous Air Pollutants – Mercury  | 8-136      |
|          | New National Ambient Air Quality Standards (NAAQS) for 8-hr Ozone and PM <sub>2.5</sub>   | 8-138      |
|          | 8-hour Ozone  | 8-138      |
|          | PM <sub>2.5</sub>   | 8-139      |
|          | Regional Haze and Visibility Protection   | 8-140      |
|          | Clean Air Interstate Rule   | 8-142      |
|          | Comprehensive Multi-emissions Approach  | 8-143      |
| 8.(5)(g) | Consideration given by the utility to market forces and competition in the development of the plan.   | 8-145      |
| 9        | <b>FINANCIAL INFORMATION</b>  | <b>9-1</b> |

## **VOLUME II, Technical Appendix**

**KU 2005-2019 Energy Forecast Report**

**LG&E 2005-2019 Energy Forecast Report**

**Energy Requirements and Demand Forecast**

**Supporting Documents**

## **VOLUME III, Technical Appendix**

**Reserve Margin Analysis**

**DSM Analysis**

**Supply-Side Analysis**

**Clean Air Act Compliance Analyses**

A. **SO<sub>2</sub> Compliance**

B. **NO<sub>x</sub> Compliance**

**Optimal Expansion Plan Analysis**

**Transmission Projects**

**PSC Recommendations**